

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name		License Number

Central Wayne County Sanitation Authority

Financial Report with Supplemental Information June 30, 2007

Central Wayne County Sanitation Authority

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Independent Auditor's Report

To the Board of Directors
Central Wayne County Sanitation Authority

We have audited the accompanying basic financial statements of Central Wayne County Sanitation Authority as of June 30, 2007 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Central Wayne County Sanitation Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Central Wayne County Sanitation Authority as of June 30, 2007 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the management's discussion and analysis. However, we did not audit the information and express no opinion on it.

The accompanying required supplemental information and other supplemental information, as listed in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Central Wayne County Sanitation Authority. The required supplemental information and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

August 13, 2007

Central Wayne County Sanitation Authority

Management's Discussion and Analysis

Our discussion and analysis of Central Wayne County Sanitation Authority's (the "Authority" or "CWCSA") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's individual funds.

Central Wayne County Sanitation Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2007 compared to the net assets as of June 30, 2006 (amounts in thousands). This is the third year of implementation of GASB No. 34.

	June 30	
	2007	2006
Assets		
Current assets	\$ 3,821	\$ 3,566
Noncurrent assets	972	1,309
Total assets	4,793	4,875
Liabilities		
Current liabilities	127	2,318
Noncurrent liabilities	3,198	3,753
Total liabilities	3,325	6,071
Net Assets (Deficit)		
Invested in capital assets - Net of related debt	511	(1,652)
Restricted	87	440
Unrestricted	870	16
Total net assets (deficit)	<u>\$ 1,468</u>	<u>\$ (1,196)</u>

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

The Authority's combined net assets increased by approximately \$2,660,000 due to several factors related to the change in operations during prior years and due to the change in estimated closure and postclosure care cost liability (see Note 12). Operating revenues exceeded operating expenses by approximately \$1,930,000.

The following table shows the changes in the net assets during the current year and as compared to the prior year (in thousands of dollars):

	Year Ended June 30	
	2007	2006
Revenue		
Disposal fees	\$ 5,087	\$ 5,398
Interest income	210	247
Other operations	17	28
Total revenue	5,314	5,673
Expenditures		
Operations	528	633
Monofill	205	217
Disposal costs:		
Solid waste	1,876	1,976
Compost	552	706
Debt service	96	238
Capital outlay	-	50
Recycling	105	78
Other	21	29
Depreciation	1	1
Total expenditures	3,384	3,928
Excess of Revenue Over Expenditures	1,930	1,745
Extraordinary Items		
Monofill closure and postclosure costs	734	1,422
Environmental claim settlement	-	200
Plant demolition expenditures	-	(317)
Total extraordinary items	734	1,305
Change in Net Assets	\$ 2,664	\$ 3,050

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

Governmental Activities

The Authority's operating revenue decreased approximately \$359,000, due primarily to a reduction in disposal rates and administration fees. The Authority's total expenditures decreased approximately \$544,000 due to changes in operations and reduction in tonnage of waste.

General Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account events during the year. Overall, the Authority stayed below budget.

Capital Assets and Debt Administration

At the end of 2007, the Authority had approximately \$585,000 invested in land and equipment prior to the accumulation of depreciation.

Bonded debt was reduced by \$2,000,000, eliminating the debt. Monofill closure and postclosure care costs were reduced by \$734,402 during the year.

More detailed information concerning capital assets and long-term debt can be found in Notes 4 and 6, respectively.

Economic Factors and Next Year's Budgets and Rates

Major Change in Direction for CWCSA

In 1964, the Authority implemented the burning of solid waste as a means of reducing the volume of solid waste produced by the five-member cities that needed to be placed in a landfill. The resulting ash was placed in the monofill. The Authority member cities concluded that this was the best direction for the disposal of solid waste in an environmentally safe manner. This approach was continued until 1998. At that time, the operation of the incinerator was changed dramatically with the reconstruction of the facility into a waste to energy (WTE) plant by a private partnership (Central Wayne Energy Recovery Limited Partnership, or CWERLP). This introduced the second approach of producing electric power from the burning of solid waste. Even though WTE was a dramatic change, the direction was still the same.

However, with the closure of the WTE plant in September 2003, the result was a significant change in direction. Solid waste was transported to Woodland Meadows, a landfill operated by Waste Management Michigan (WMM). This was originally a temporary measure. In December 2003, CWERLP filed for bankruptcy. The ultimate approval of the purchase offer submitted by WMM to purchase both the CWERLP and CWCSA assets at the WTE plant in June 2004 confirmed this change in direction.

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

The result of this was that for the first time in over five years, the Authority was able to reduce tipping fee rates. The new rates went from \$63/ton to \$49/ton beginning with fiscal year 2004-2005 beginning July 1, 2004. The board approved further reductions in tonnage rates effective July 1, 2005 to \$46/ton, effective July 1, 2006 to \$43/ton, and effective July 1, 2007 to \$28/ton.

CWCSA received a \$4 million payment from WMM during fiscal year 2003-2004 as part of the new 20-year agreement. The salvageable equipment was sold primarily through an on-line auction in December 2004. Net proceeds totaling \$528,290 were deposited with WMM to be applied to the demolition costs. Another \$38,525 was received from equipment directly sold by CWCSA. Therefore, a total of \$566,815 from equipment sales was available for payment on the demolition costs.

In addition, WMM paid \$4 million to acquire the assets of CWERLP through the bankruptcy proceedings. In this agreement, \$500,000 was set aside in an escrow fund. WMM filed a claim against this amount for environmental cleanup at the WTE plant. A settlement was agreed to by the various parties and approved by the Federal Bankruptcy Court. The settlement in the amount of \$200,000, less \$6,765 for WMM's expenses, was also available to apply against the demolition costs. Therefore, the net WTE plant demolition cost to CWCSA totaled \$789,046.

The contract for demolition was awarded by WMM early in 2005. The contractor started work on February 16, 2005 and completed the project by September 2005. Due to the amount of expected net expenditure for demolition, the CWCSA board amended the fiscal year 2004/2005 budget in February 2005. As part of this amendment, the board reduced the budgeted WTE demolition cost from \$4 million to \$2 million. The actual cost was \$1,595,861. Applying the equipment sale and environmental settlement costs toward the demolition resulted in a net cost of \$789,046 to CWCSA.

The closure process of the monofill began with the movement of ash in November 2004. This was completed by June 2005. The final closure and capping of the monofill was completed by November 2005. MDEQ approved the closure documents, declaring the monofill closed as of December 2005.

There will be a continued need to maintain the monofill for a minimum of 28 more years as required by state law. This will be at a significantly lower annual cost than the prior annual operating cost at the monofill.

Due to the savings on the demolition of the WTE plant and closure of the monofill, the CWCSA board approved using current resources to offset the administration portion of the charges to the member communities for the last four months of the 2005-2006 fiscal year.

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

This effectively further reduced the tipping fee charged. The five cities were not billed anything for administration for this four-month period of time.

One should note that the Authority has no remaining debt on the WTE plant or the land upon which it is located. The last remaining debt of CWCSA was on the monofill. The total debt was paid in full by June 30, 2007.

The Authority board and staff have taken a very aggressive approach to resolving the challenges faced by CWCSA. These challenges have been resolved in a fiscally and cost-effective manner by the agreements put into place between CWCSA and WMM. The result is expected to be a stable means of solid waste disposal for the next 17 years on a financial basis that will be beneficial to both CWCSA and WMM. The contract began in June 2004 (a 20-year agreement).

The two major goals of demolition of the WTE facility/restoration of the property and the permanent closure of the monofill were completed in fiscal year 2005-2006. The two major goals for fiscal year 2007-2008 is to complete the sale of the land at the WTE plant location as started with a sales agreement with a development group in January 2007. Another step in the effort to further reduce expenses at the monofill has begun with the development of a simplified wastewater treatment plan. This will allow the Authority to pursue the goal to sell or lease the property.

CWCSA is in a strong fiscal condition. Further steps will be taken to ensure this continuation as our member cities continue to work together to dispose of solid waste during the coming years.

Contacting the Authority's Management

This financial report is intended to provide our citizens, member communities, and investors with a general overview of the Authority's finances and show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the executive director at 734-722-9980, ext. 12 or cwcsaexec@sbcglobal.net.

Central Wayne County Sanitation Authority

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2007

	Governmental Fund Types			Statement of Net Assets
	General Fund	Capital Projects Fund	Adjustments	
Assets				
Cash and cash equivalents (Note 3)	\$ 1,337,997	\$ 1,752,736	\$ -	\$ 3,090,733
Accounts receivable:				
Constituent communities	714,538	-	-	714,538
Other	7,514	8,117	-	15,631
Restricted assets (Note 7)	461,038	-	-	461,038
Nondepreciable capital assets (Note 4)	-	-	509,904	509,904
Depreciable capital assets - Net (Note 4)	-	-	1,422	1,422
Total assets	\$ 2,521,087	\$ 1,760,853	\$ 511,326	\$ 4,793,266
Liabilities and Fund Balance/ Net Assets				
Liabilities				
Accounts payable	\$ 103,959	\$ 13,899	\$ -	\$ 117,858
Accrued and other liabilities	8,843	-	-	8,843
Payable from restricted assets - Due to Perpetual Care Fund	373,538	-	-	373,538
Noncurrent liabilities - Monofill postclosure costs (Note 6)	-	-	2,824,624	2,824,624
Total liabilities	486,340	13,899	2,824,624	3,324,863
Fund Balance/Net Assets				
Invested in capital assets	-	-	511,326	511,326
Fund balances/Net assets:				
Reserved/Restricted	87,500	-	-	87,500
Unreserved/Unrestricted	1,947,247	1,746,954	(2,824,624)	869,577
Total fund equity/net assets	2,034,747	1,746,954	(2,313,298)	1,468,403
Total liabilities and fund equity/ net assets	\$ 2,521,087	\$ 1,760,853	\$ 511,326	\$ 4,793,266

Central Wayne County Sanitation Authority

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2007

	Governmental Fund Types			Statement of
	General Fund	Capital Projects Fund	Adjustments	Activities
Revenue				
Disposal fees	\$ 5,086,908	\$ -	\$ -	\$ 5,086,908
Interest income	125,757	84,373	-	210,130
Other operations	16,907	-	-	16,907
Total revenue	5,229,572	84,373	-	5,313,945
Expenditures				
Operations	527,987	-	-	527,987
Monofill	121,455	83,577	-	205,032
Disposal costs:				
Solid waste	1,875,923	-	-	1,875,923
Compost	552,437	-	-	552,437
Debt service	2,095,975	-	(2,000,000)	95,975
Recycling	-	105,535	-	105,535
Other	-	20,839	-	20,839
Depreciation	-	-	710	710
Total expenditures	5,173,777	209,951	(1,999,290)	3,384,438
Excess of Revenue Over (Under) Expenditures	55,795	(125,578)	1,999,290	1,929,507
Other Financing Sources (Uses)				
Operating transfers in	-	471,633	-	471,633
Operating transfers out	(471,633)	-	-	(471,633)
Total other financing sources (uses)	(471,633)	471,633	-	-
Extraordinary Item - Monofill closure and postclosure costs (Note 12)	-	-	734,402	734,402
Net Change in Fund Balances/Net Assets	(415,838)	346,055	2,733,692	2,663,909
Fund Balances/Net Assets - Beginning of year	2,450,585	1,400,899	(5,046,990)	(1,195,506)
Fund Balances/Net Assets - End of year	<u>\$ 2,034,747</u>	<u>\$ 1,746,954</u>	<u>\$ (2,313,298)</u>	<u>\$ 1,468,403</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies

Central Wayne County Sanitation Authority (the "Authority") provides household refuse disposal services primarily for the benefit of member municipalities in Wayne County, Michigan. These member municipalities are the cities of Dearborn Heights, Garden City, Inkster, Wayne, and Westland.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity - The Authority is governed by a board consisting of one representative from each of the five member communities. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Basis of Accounting - The government-wide full accrual financial statements (the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. For the purpose of the government-wide financial statements, the Authority reports a liability for outstanding bonds and monofill closure and postclosure care costs, which will be funded through future revenue from the member municipalities.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental funds:

General Fund - The General Fund contains the records of the ordinary activities of the Authority that are not accounted for in another fund. General Fund activities are financed by revenue from refuse disposal fees.

Capital Projects Fund - The Capital Projects Fund is used to account for expenditures financed by bond issues and by the board-designated Improvement Fund.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are recorded at fair value, based on quoted market prices, with the exception of money market instruments with a maturity of one year or less at time of purchase, which are recorded at cost.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/due from other funds." All receivables are shown as net of an allowance for uncollectible amounts.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Capital Projects Fund. All annual appropriations lapse at fiscal year end. The board approves the original budget prior to the beginning of the fiscal year. The board reviews budget-to-actual information throughout the year and approves amendments as deemed necessary. The budget is adopted on a fund-total basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the Authority is the fund level.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 2 - Budgetary Information (Continued)

A comparison of actual results of operations to the budgets as adopted by the board is included in the required supplemental information for the General Fund and in the other supplemental information for the Capital Projects Fund.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Authority did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in instruments approved by the state statutory authority as listed above.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$874,768 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as deposits.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the Authority does not have any investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy restricts investment maturities and, to the extent possible, the Authority will attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the Authority will not directly invest in securities maturing more than 18 months from the date of purchase. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Commercial paper	\$1,126,324	1.09 months

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 314,738	Aaa	Moody's
Commercial paper	1,126,324	P-1	Moody's
Bank investment pool	652,696	AI, PI, FI	S&P, Moody's, Fitch
Not rated - Bank investment pools	373,538	Not Rated	N/A

Concentration of Credit Risk - The Authority limits the amount that the Authority may invest in any one issuer and with any one institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50 percent of the total investment portfolio will be invested in a single security type or 25 percent with a single financial institution. At June 30, 2007, the Authority had \$1,126,324 (31.6 percent) invested in General Electric commercial paper. At the time the commercial paper was purchased, commercial paper represented less than 25 percent of the investment portfolio.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets not being depreciated -				
Land	\$ 509,904	\$ -	\$ -	\$ 509,904
Capital assets being depreciated -				
Equipment	75,498	-	-	75,498
Accumulated depreciation -				
Equipment	73,366	710	-	74,076
Net capital assets being depreciated	2,132	(710)	-	1,422
Net capital assets	<u>\$ 512,036</u>	<u>\$ (710)</u>	<u>\$ -</u>	<u>\$ 511,326</u>

Note 5 - Transfers

The transfers from the General Fund to the Capital Projects Fund represent the movement of resources to be used for future capital projects.

Note 6 - Long-term Debt

The Authority issues revenue bonds to provide for the construction of major capital improvements. Revenue bonds involve a pledge of revenue derived from operations.

Long-term obligation activity can be summarized as follows:

	Amount of Issue	Maturing Through	Interest Rate	Principal Maturity Ranges	Beginning Balance	Reductions*	Ending Balance	Due Within One Year
Incinerator revenue bonds - Series VII	\$ 2,775,000	2007	4.375%- 4.75%	\$775,000- \$2,000,000	\$ 2,000,000	\$ (2,000,000)	\$ -	\$ -
Monofill closure and postclosure care costs (Note 12)					3,559,026	(734,402)	2,824,624	161,500
Total					<u>\$ 5,559,026</u>	<u>\$ (2,734,402)</u>	<u>\$ 2,824,624</u>	<u>\$ 161,500</u>

* There were no additions to long-term debt during the fiscal year.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 7 - Restricted Assets

Restricted assets represent cash and investments that have been segregated for specific purposes due to legal requirements. The restricted assets were composed of the following:

Cash and cash equivalents - Investments reserved for monofill perpetual care	\$ 373,538
Deposit with Michigan Department of Natural Resources for monofill watering care fund	<u>87,500</u>
Total restricted assets	<u>\$ 461,038</u>

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all of the above risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Defined Benefit Pension Plan

Plan Description - As part of the privatization initiative, all employees were terminated on June 15, 1998. The Authority provided substantially all employees with retirement, disability, and death benefits by participating in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit plan. The active employees on June 15, 1998 were offered the option of withdrawing their funds or remaining in the plan. The Authority is responsible for maintaining sufficient funds in the plan to cover the actuarially computed future benefits for the previous employees remaining in the plan. During the year ended June 30, 2003, the plan re-opened and the two employees of the Authority are now active participants. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Michigan Municipal Employees' Retirement System at 1134 Municipal Way, Lansing, Michigan 48917.

Annual Pension Cost - For the year ended June 30, 2007, the Authority's required annual pension cost was \$17,112. The Authority contributed an additional \$72,888 during the year.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 9 - Defined Benefit Pension Plan (Continued)

The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent to 12.9 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 29 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2007	2006	2005
Annual pension cost (APC)	\$ 90,000	\$ 112,445	\$ 112,444
Percentage of APC contributed	100%	100%	100%
	Valuation Year Ended December 31		
	2006	2005	2004
Actuarial value of assets	\$ 3,392,854	\$ 3,353,145	\$ 3,238,040
Actuarial accrued liability (AAL)			
(entry age)	3,425,977	3,437,977	3,504,500
Unfunded AAL (UAAL)	33,123	84,832	266,460
Funded ratio	99%	98%	92%

Note 10 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Authority, the Authority contributes 1 percent of employees' gross earnings. There were no contributions to this plan during the year.

Note 11 - Commitments

The Authority has obtained a \$325,000 letter of credit to provide financial assurance to the Michigan Department of Natural Resources for potential liability relative to the monofill. The Authority has submitted an \$87,500 cash bond to the Michigan Department of Natural Resources. This bond will be retained by the Michigan Department of Natural Resources until 30 years past the time of closure of the monofill.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 11 - Commitments (Continued)

The Authority entered into a 20-year disposal contract with Waste Management of Michigan (WMM). Pursuant to the agreement, WMM is to accept waste from the constituent communities at the Woodland Meadows landfill for a fixed rate per ton, to increase annually beginning July 1, 2007. The increase on July 1, 2007 is 3.75 percent and 2 percent annually thereafter. The fixed rate as of June 30, 2007 is \$18.98 per ton plus related taxes, fees, and surcharges.

Note 12 - Monofill Closure and Postclosure Care Cost

State and federal laws and regulations required the Authority to place a final cover on its monofill when it stopped accepting waste and to perform certain maintenance and monitoring functions at the monofill for 30 years after closure. Although closure and postclosure care costs were paid near and after the date the monofill stopped accepting waste, the Authority has recorded a portion of these costs as a liability in accordance with Governmental Accounting Standards Board Statement No. 18. The \$2,824,624 liability recorded at June 30, 2007 represents the Authority's portion of the estimated total liability for postclosure care costs. The amount recorded is based on estimated costs in current dollars to perform all postclosure care as of June 30, 2007. The change in this estimate is reported as an extraordinary item. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

The Authority is required by state regulations to set aside a portion of disposal fees to finance postclosure maintenance. The amount is reported as a restricted asset and a liability (see Note 7).

Note 13 - Postemployment Benefits

Health care insurance is provided for employees who have 25 or more years of service when they retire. The cost of this benefit is recognized as the insurance premiums become due. During 2007, 11 retired employees received this benefit for a cost to the Authority of approximately \$191,000. There is one former employee who is eligible for this benefit in the future when they retire from their subsequent employers. In addition, there are two former employees receiving long-term workers' compensation benefits. The cost to the Authority was approximately \$22,500 for the year ended June 30, 2007. The combined total for both retirees and disabled persons was approximately \$213,500.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 13 - Postemployment Benefits (Continued)

Upcoming Reporting Changes - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Note 14 - Operating Leases

The Authority entered into a lease agreement for its office during 2004 with an unrelated party under an operating lease that expires on November 15, 2007. Total lease expense for this operating lease was \$17,650 for the year ended June 30, 2007.

The future minimum rental commitment for the year ending June 30, 2008 totals \$7,426.

Note 15 - Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Authority's funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 3,781,701
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	511,326
Long-term liabilities are not due and payable in the current period and are not reported in the funds - Monofill closure and postclosure costs	<u>(2,824,624)</u>
Net Assets - Full accrual method	<u>\$ 1,468,403</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2007

Note 15 - Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements (Continued)

Total Net Change in Fund Balances - Modified accrual basis \$ (69,783)

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (710)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,000,000

Reduction of monofill postclosure costs due to a change in the estimate is not recorded in the statement of revenue, expenditures, and changes in fund balance 734,402

Change in Net Assets - Full accrual basis \$ 2,663,909

Required Supplemental Information

Central Wayne County Sanitation Authority

Budgetary Comparison Schedule General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Disposal fees	\$ 5,476,437	\$ 5,476,437	\$ 5,086,908	\$ (389,529)
Interest income	80,000	130,000	125,757	(4,243)
Other operations	1,000	17,300	16,907	(393)
Total revenue	5,557,437	5,623,737	5,229,572	(394,165)
Expenditures				
Operations	599,497	595,523	527,987	67,536
Monofill	240,115	138,934	121,455	17,479
Disposal costs:				
Solid waste	2,064,327	2,064,327	1,875,923	188,404
Compost	753,570	753,570	552,437	201,133
Debt service	2,095,450	2,095,450	2,095,975	(525)
Total expenditures	5,752,959	5,647,804	5,173,777	474,027
Excess of Revenue Over (Under) Expenditures	(195,522)	(24,067)	55,795	79,862
Other Financing Uses - Operating transfers out	(300,477)	(471,633)	(471,633)	-
Net Change in Fund Balance	(495,999)	(495,700)	(415,838)	79,862
Fund Balance - Beginning of year	2,450,585	2,450,585	2,450,585	-
Fund Balance - End of year	<u>\$ 1,954,586</u>	<u>\$ 1,954,885</u>	<u>\$ 2,034,747</u>	<u>\$ 79,862</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than required by the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Other Supplemental Information

Central Wayne County Sanitation Authority

Schedule of Expenditures - Operations Budget and Actual General Fund Year Ended June 30, 2007

	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating expenses:			
Administrative salaries and wages	\$ 107,933	\$ 103,112	\$ 4,821
Social Security	8,257	7,888	369
Hospitalization insurance	227,400	227,328	72
Office supplies	4,000	3,196	804
Office equipment and maintenance	1,920	1,910	10
Postage	1,100	968	132
Auditing and accounting	7,225	7,225	-
Payroll accounting	1,700	1,535	165
Legal fees	25,000	20,247	4,753
Banking and financial	1,400	1,161	239
Insurance - Workers' compensation	450	432	18
Insurance - Other	26,900	26,845	55
Membership dues	824	693	131
Education and training	1,500	824	676
Retirement contribution	90,983	90,000	983
Building maintenance	1,030	726	304
Alarm system	950	898	52
Building rent	17,651	17,650	1
Utilities	3,500	3,114	386
Telephone	4,300	4,462	(162)
Lot maintenance	10,000	6,375	3,625
Miscellaneous	1,500	1,398	102
Contingency	50,000	-	50,000
Total operating expenses	<u>\$ 595,523</u>	<u>\$ 527,987</u>	<u>\$ 67,536</u>

Central Wayne County Sanitation Authority

Budgetary Comparison Schedule Capital Projects Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Interest income	\$ 39,671	\$ 86,500	\$ 84,373	\$ (2,127)
Expenditures				
Monofill improvements	200,000	200,000	83,577	116,423
Recycling	97,400	103,400	105,535	(2,135)
Other expenditures	25,000	25,000	20,839	4,161
Total expenditures	<u>322,400</u>	<u>328,400</u>	<u>209,951</u>	<u>118,449</u>
Excess of Expenditures Over Revenue	(282,729)	(241,900)	(125,578)	116,322
Other Financing Sources - Operating transfers in	<u>300,477</u>	<u>471,633</u>	<u>471,633</u>	<u>-</u>
Net Change in Fund Balance	17,748	229,733	346,055	116,322
Fund Balance - Beginning of year	<u>1,400,899</u>	<u>1,400,899</u>	<u>1,400,899</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,418,647</u>	<u>\$ 1,630,632</u>	<u>\$ 1,746,954</u>	<u>\$ 116,322</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the Capital Projects Fund is more detailed than required by the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.



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August 13, 2007

To the Board of Directors
Central Wayne County Sanitation Authority
3759 Commerce Court
Wayne, MI 48184

Dear Board Members:

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standards (Statement on Auditing Standards Number 112, referred to as SAS 112) require us to inform you about deficiencies we observe in your accounting procedures or internal controls that the new auditing standards define as a "significant deficiency." The new threshold for a "significant deficiency" is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a "significant deficiency."

We are also required to communicate these matters to more people. In the past, we have provided our comments and observations as part of a meeting or discussion at the end of our work directly to management. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the Central Wayne County Sanitation Authority Board, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of Central Wayne County Sanitation Authority as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Segregation of Duties - Segregation of duties is a key component to a sound internal control structure. Due to the size of the Authority, it is impractical to establish complete segregation of duties. A lack of segregation of duties increases the risk of misstatements. It is our understanding that the Authority has procedures in place to mitigate risk in certain areas, such as the executive director's review of bank reconciliations and the board's involvement with reviewing monthly reports. We commend the Authority for implementing these procedures and encourage continued involvement by the board.

This communication is intended solely for the information and use of management, the board of directors, regulatory agencies, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "David Helisek". The signature is fluid and cursive, with the first name "David" and last name "Helisek" clearly distinguishable.

David H. Helisek